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TITLE II—CHANGES IN BENEFITS

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1 **TITLE I—CHANGES IN COVERAGE**

2 **COVERAGE OF NEWLY HIRED FEDERAL EMPLOYEES**

3 **SEC. 101. (a)(1)** Section 210(a) of the Social Security
4 Act is amended by striking out paragraphs (5) and (6) and
5 inserting in lieu thereof the following:

6 “(5) Service performed in the employ of the
7 United States or any instrumentality of the United
8 States, if such service—

1 “(A) would not be included in the term ‘em-
2 ployment’ for purposes of this subsection by
3 reason of the provisions of paragraph (5) or (6) of
4 this subsection as in effect on January 1, 1983,

5 “(B) is performed by an individual who has
6 been continuously in the employ of the United
7 States or an instrumentality thereof since Decem-
8 ber 31, 1983; and

9 “(C) is not service performed as the Presi-
10 dent or Vice-President of the United States or as
11 a Member, Delegate, or Resident Commissioner of
12 or to the Congress;

13 “(6) Service performed in the employ of the
14 United States or any instrumentality of the United
15 States if such service is performed—

16 “(A) in a penal institution of the United
17 States by an inmate thereof;

18 “(B) by any individual as an employee in-
19 cluded under section 5351(2) of title 5, United
20 States Code (relating to certain interns, student
21 nurses, and other student employees of hospitals
22 of the Federal Government), other than as a
23 medical or dental intern or a medical or dental
24 resident in training; or

1 “(C) by any individual as an employee serv-
2 ing on a temporary basis in case of fire, storm,
3 earthquake, flood, or other similar emergency;”.

4 (2) Section 210(p) of such Act is amended by striking
5 out “provisions of—” and all that follows and inserting in
6 lieu thereof “provisions of subsection (a)(5).”.

7 (b)(1) Section 3121(b) of the Internal Revenue Code of
8 1954 is amended by striking out paragraphs (5) and (6) and
9 inserting in lieu thereof the following:

10 “(5) service performed in the employ of the
11 United States or any instrumentality of the United
12 States, if such service—

13 “(A) would not be included in the term ‘em-
14 ployment’ for purposes of this subsection by
15 reason of the provisions of paragraph (5) or (6) of
16 this subsection as in effect on January 1, 1983,
17 and

18 “(B) is performed by an individual who has
19 been continuously in the employ of the United
20 States or an instrumentality thereof since Decem-
21 ber 31, 1983; and

22 “(C) is not service performed as the Presi-
23 dent or Vice-President of the United States or as
24 a Member, Delegate, or Resident Commissioner of
25 or to the Congress;

1 “(6) service performed in the employ of the
2 United States or any instrumentality of the United
3 States if such service is performed—

4 “(A) in a penal institution of the United
5 States by an inmate thereof;

6 “(B) by any individual as an employee in-
7 cluded under section 5351(2) of title 5, United
8 States Code (relating to certain interns, student
9 nurses, and other student employees of hospitals
10 of the Federal Government), other than as a
11 medical or dental intern or a medical or dental
12 resident in training; or

13 “(C) by any individual as an employee serv-
14 ing on a temporary basis in case of fire, storm,
15 earthquake, flood, or other similar emergency;”.

16 (2) Section 3121(u)(1) of such Code is amended to read
17 as follows:

18 “(1) IN GENERAL.—For purposes of the taxes im-
19 posed by sections 3101(b) and 3111(b), subsection (b)
20 shall be applied without regard to paragraph (5) there-
21 of.”.

22 (c) The amendments made by this section shall be effec-
23 tive with respect to remuneration paid after December 31,
24 1983.

1 COVERAGE OF EMPLOYEES OF NONPROFIT
2 ORGANIZATIONS

3 SEC. 102. (a) Section 210(a)(8) of the Social Security
4 Act is amended by striking out subparagraph (B) thereof and
5 by striking out “(A)” after “(8)”.

6 (b)(1) Section 3121(b)(8) of the Internal Revenue Code
7 of 1954 is amended by striking out subparagraph (B) thereof
8 and by striking out “(A)” after “(8)”.

9 (2) Subsection (k) of section 3121 of such Code is re-
10 pealed.

11 (c) The amendments made by this section shall be effec-
12 tive with respect to remuneration paid after December 31,
13 1983.

14 (d) Notwithstanding any provision of section 3121(k) of
15 the Internal Revenue Code of 1954 (or any other provision of
16 law) the period for which a certificate is in effect under such
17 section may not be terminated on or after the date of the
18 enactment of this Act.

19 DURATION OF AGREEMENT FOR COVERAGE OF STATE AND
20 LOCAL EMPLOYEES

21 SEC. 103. (a) Subsection (g) of section 218 of the Social
22 Security Act is amended to read as follows:

23 “Duration of Agreement

24 “(g) No agreement under this section may be terminat-
25 ed, in its entirety or with respect to any coverage group, on

1 or after the date of the enactment of the Social Security
2 Amendments of 1983.”.

3 (b) The amendment made by subsection (a) shall apply
4 to any agreement in effect under section 218 of the Social
5 Security Act on the date of the enactment of this Act, with-
6 out regard to whether a notice of termination was in effect on
7 such date.

8 TITLE II—CHANGES IN BENEFITS

9 SHIFT OF COST-OF-LIVING ADJUSTMENTS TO CALENDAR

10 YEAR BASIS

11 SEC. 201. (a)(1) Section 215(i)(2)(A)(ii) of the Social Se-
12 curity Act is amended by striking out “June” and inserting
13 in lieu thereof “December”.

14 (2) Section 215(i)(2)(A)(iii) of such Act is amended by
15 striking out “May” and inserting in lieu thereof “November”.

16 (3) Section 215(i)(2)(B) of such Act is amended by strik-
17 ing out “May” each place it appears and inserting in lieu
18 thereof in each instance “November”.

19 (4) Section 203(f)(8)(A) of such Act is amended by strik-
20 ing out “June” and inserting in lieu thereof “December”.

21 (5) Section 230(a) of such Act is amended by striking
22 out “June” and inserting in lieu thereof “December”.

23 (6) Section 215(i)(2) of such Act as in effect in Decem-
24 ber 1978, and as applied in certain cases under the provisions
25 of such Act as in effect after December 1978, is amended by

1 striking out "June" in subparagraph (A)(ii) and inserting in
2 lieu thereof "December", and by striking out "May" each
3 place it appears in subparagraph (B) and inserting in lieu
4 thereof in each instance "November".

5 (7) Section 202(m) of such Act (as it applies in certain
6 cases by reason of section 2 of Public Law 97-123) is
7 amended by striking out "May" and inserting in lieu thereof
8 "November".

9 (8) The amendments made by this subsection shall apply
10 with respect to cost-of-living increases determined under sec-
11 tion 215(i) of the Social Security Act for years after 1982.

12 (b)(1) Section 215(i)(1)(A) of the Social Security Act is
13 amended by striking out "March 31" and inserting in lieu
14 thereof "September 30", and by striking out "1974" and
15 inserting in lieu thereof "1982".

16 (2) Section 215(i)(1)(A) of such Act as in effect in De-
17 cember 1978, and as applied in certain cases under the provi-
18 sions of such Act as in effect after December 1978, is amend-
19 ed by striking out "March 31" and inserting in lieu thereof
20 "September 30".

21 (3) The amendments made by this subsection shall apply
22 with respect to cost-of-living increases determined under sec-
23 tion 215(i) of the Social Security Act for years after 1983.

24 (c) Section 215(i)(4) of such Act is amended by inserting
25 " , and as amended by section 201 (a)(6) and (b)(2) of the

1 Social Security Amendments of 1983,” after “as in effect in
2 December 1978”.

3 (d)(1) Section 1612(b)(2) of such Act is amended by
4 redesignating subparagraphs (A) and (B) as subparagraphs
5 (B) and (C) and inserting before subparagraph (B) the follow-
6 ing new subparagraph:

7 “(A) the first \$600 per year (or proportionately
8 smaller amounts for shorter periods) of benefits re-
9 ceived under title II of this Act;”.

10 (2) Section 1612(b)(2)(B) of such Act (as redesignated
11 by paragraph (1)) is amended by inserting before the semi-
12 colon at the end thereof the following: “, reduced (but not
13 below zero) by any amount excluded under subparagraph
14 (A)”.

15 (3) The amendments made by this subsection shall be
16 effective with respect to benefits payable under title XVI of
17 the Social Security Act for months after June 1983.

18 **ELIMINATION OF WINDFALL BENEFITS FOR INDIVIDUALS**

19 **RECEIVING PENSIONS FROM NONCOVERED EMPLOYMENT**

20 **SEC. 202.** (a) Section 215(a) of the Social Security Act
21 is amended by adding at the end thereof the following new
22 paragraph:

23 “(7)(A) In the case of an individual whose primary in-
24 surance amount would be computed under paragraph (1) of
25 this subsection, and who becomes entitled after 1983 to a

1 monthly periodic payment (or a payment determined under
2 subparagraph (D)) based (in whole or in part) upon his earn-
3 ings for service which did not constitute 'employment' as de-
4 fined in section 210 for purposes of this title (hereafter in this
5 paragraph and in subsection (d)(5) referred to as 'noncovered
6 service'), the primary insurance amount of that individual
7 during his entitlement to old-age or disability insurance bene-
8 fits shall be computed or recomputed under subparagraph (B)
9 with respect to the initial month in which the individual be-
10 comes eligible for such benefits, and shall be periodically re-
11 computed thereafter at such times as the Secretary deter-
12 mines there has been a significant change in the amount of
13 such periodic payment.

14 “(B) If paragraph (1) of this subsection would apply to
15 that individual (except for subparagraph (A) of this para-
16 graph), there shall first be computed an amount equal to the
17 individual's primary insurance amount under this subsection
18 (other than this paragraph), except that for purposes of such
19 computation the percentage of the individual's average in-
20 dexed monthly earnings established by subparagraph (A)(i) of
21 paragraph (1) shall be 32 percent. There shall then be com-
22 puted (without regard to this paragraph) a second amount,
23 which shall be equal to the individual's primary insurance
24 amount under this subsection (other than this paragraph),
25 except that such second amount shall be reduced by an

1 amount equal to one-half of the portion of the monthly peri-
2 odic payment attributable to non-covered service to which
3 the individual is entitled (or deemed to be entitled) for the
4 month for which such old-age or disability insurance benefits
5 are payable. The individual's primary insurance amount shall
6 be the larger of the two amounts computed under this sub-
7 paragraph (before the application of subsection (i)) and shall
8 be deemed to be computed under paragraph (1) of this sub-
9 section for the purpose of applying other provisions of this
10 title.

11 “(C) No primary insurance amount may be reduced by
12 reason of this paragraph below the amount of the primary
13 insurance amount as determined under paragraph (1)(C)(i).

14 “(D)(i) Any periodic payment that otherwise meets the
15 requirements of subparagraph (A), but which is paid on other
16 than a monthly basis, shall be allocated on a basis equivalent
17 to a monthly payment (as determined by the Secretary), and
18 such equivalent monthly payment shall constitute a monthly
19 periodic payment for purposes of this paragraph.

20 “(ii) In the case of an individual who has elected to
21 receive a periodic payment that has been reduced so as to
22 provide a survivors benefit to any other individual, the pay-
23 ment is deemed to be increased (for the purpose of any com-
24 putation under this paragraph) by such reduction.

1 “(iii) If an individual to whom subparagraph (A) applies
2 is eligible for a periodic payment beginning with a month that
3 is subsequent to the month in which he becomes eligible for
4 old-age or disability insurance benefits, the amount of that
5 payment for purposes of subparagraph (B) shall be deemed to
6 be the amount to which he is, or is deemed, to become enti-
7 tled (subject to clauses (i), (ii), and (iv) of this subparagraph)
8 in such subsequent month.

9 “(iv) For purposes of this subparagraph, the term ‘peri-
10 odic payment’ includes a payment payable in a lump sum if it
11 is a commutation of, or a substitute for, periodic payments.”.

12 (b) Section 215(d) of such Act is amended by adding at
13 the end thereof the following new paragraph:

14 “(5) In the case of an individual whose primary insur-
15 ance amount is not computed under paragraph (1) of subsec-
16 tion (a) by reason of paragraph (4)(B)(ii) of that subsection,
17 and who becomes entitled after 1983 to a monthly periodic
18 payment (or a payment determined under subsection
19 (a)(7)(D)) based (in whole or in part) upon his earnings in
20 noncovered service, his primary insurance amount for pur-
21 poses of his entitlement to old-age or disability insurance
22 benefits shall be the primary insurance amount computed or
23 recomputed under this subsection (without regard to this
24 paragraph and before the application of subsection (i)) re-
25 duced by an amount equal to the smaller of—

1 “(i) one-half of the primary insurance amount
2 (computed without regard to this paragraph and before
3 the application of subsection (i)), or

4 “(ii) one-half of the portion of the monthly period-
5 ic payment (or payment determined under subsection
6 (a)(7)(D)) attributable to noncovered service to which
7 that individual is entitled (or deemed to be entitled) for
8 the initial month of his eligibility for old-age or disabil-
9 ity insurance benefits.

10 The amount of such periodic payment for purposes of clause
11 (ii) shall be periodically recomputed at such times as the Sec-
12 retary determines there has been a significant change in the
13 amount of such periodic payment.

14 “(C) No primary insurance amount may be reduced by
15 reason of this paragraph below the amount of the primary
16 insurance amount as determined under subsection
17 (a)(1)(C)(i).”.

18 (c) Section 215(f) of such Act is amended by adding at
19 the end the following new paragraph:

20 “(9)(A) In the case of an individual who becomes enti-
21 tled to a periodic payment determined under subsection
22 (a)(7)(A) or (a)(7)(D) in a month subsequent to the first
23 month in which he becomes entitled to an old-age or disabil-
24 ity insurance benefit, and whose primary insurance amount
25 has been computed without regard to either such subsection

1 or subsection (d)(5), such individual's primary insurance
2 amount shall be recomputed, in accordance with either such
3 subsection or subsection (d)(5), as may be applicable, effective
4 with the first month of his concurrent entitlement to either
5 such benefit and such periodic payment.

6 “(B) If an individual's primary insurance amount has
7 been computed under subsection (a)(7) or (d)(5), and it be-
8 comes necessary to recompute that primary insurance
9 amount under this subsection—

10 “(i) so as to increase the monthly benefit amount
11 payable with respect to such primary insurance amount
12 (other than in the case of the individual's death), such
13 increase shall be determined as though such primary
14 insurance amount had initially been computed without
15 regard to subsection (a)(7) or (d)(5), or

16 “(ii) by reason of the individual's death, such pri-
17 mary insurance amount shall be recomputed without
18 regard to (and as though it had never been computed
19 with regard to) subsection (a)(7) or (d)(5).

20 “(C) In the case of any individual whose primary insur-
21 ance amount is subject to the requirements of subsection
22 (a)(7) or (d)(5), the amount of such primary insurance amount
23 shall be recomputed as may be required under such subsec-
24 tions by reason of a significant change in the amount of the
25 relevant periodic payment.”.

15

1 (d) Sections 202(e)(2)(B)(i) and 202(f)(3)(B)(i) of such
2 Act are each amended by striking out “section 215(f)(5) or
3 (6)” and inserting in lieu thereof “section 215(f)(5), 215(f)(6),
4 or 215(f)(9)(B)”.

5 BENEFITS FOR SURVIVING DIVORCED SPOUSES AND

6 DISABLED WIDOWS AND WIDOWERS WHO REMARRY

7 SEC. 203. (a)(1) Section 202(e)(3) of the Social Security
8 Act is repealed.

9 (2) Section 202(e)(4) of such Act is amended to read as
10 follows:

11 “(4) For purposes of paragraph (1), if—

12 “(A) a widow or a surviving divorced wife marries
13 after attaining age 60, or

14 “(B) a disabled widow or disabled surviving di-
15 vorced wife described in paragraph (1)(B)(ii) marries
16 after attaining age 50,

17 such marriage shall be deemed not to have occurred.”.

18 (b)(1) Section 202(f)(4) of such Act is repealed.

19 (2) Section 202(f)(5) of such Act is amended to read as
20 follows:

21 “(5) For purposes of paragraph (1), if—

22 “(A) a widower marries after attaining age 60, or

23 “(B) a disabled widower described in paragraph
24 (1)(B)(ii) marries after attaining age 50,

25 such marriage shall be deemed not to have occurred.”.

1 (c)(1) The amendments made by subsection (a) shall be
2 effective with respect to monthly benefits payable under title
3 II of the Social Security Act for months after December
4 1983.

5 (2) In the case of an individual who was not entitled to a
6 monthly benefit under title II of such Act for December
7 1983, no benefit shall be paid under such title by reason of
8 such amendments unless proper application for such benefit is
9 made.

10 DETERMINATION OF PRIMARY INSURANCE AMOUNT FOR
11 DEFERRED SURVIVOR BENEFITS

12 SEC. 204. (a) Section 215(a) of the Social Security Act
13 is amended by adding at the end thereof the following new
14 paragraph:

15 “(8)(A) If a person is entitled to benefits under subsec-
16 tion (e) or (f) of section 202 on the basis of the wages and
17 self-employment income of a deceased individual whose pri-
18 mary insurance amount would otherwise be determined under
19 paragraph (1), the primary insurance amount of such de-
20 ceased individual shall be determined, for purposes of deter-
21 mining the amount of the benefit under such subsection, as if
22 such deceased individual died in the year in which the person
23 entitled to benefits under such subsection first became eligible
24 for such benefits or, if earlier, the year in which such de-
25 ceased individual would have attained age 60 if he had not

1 died (except that the actual year of death of such deceased
2 individual shall be used for purposes of section
3 215(b)(2)(B)(ii)(II)).

4 “(B) Notwithstanding subparagraph (A), if a person—

5 “(i) is entitled to benefits under subsection (e) or
6 (f) of section 202 on the basis of the wages and self-
7 employment income of a deceased individual, and

8 “(ii) was entitled to benefits under this title on the
9 basis of the wages and self-employment income of such
10 deceased individual in the month before the month in
11 which such person became eligible for the benefits de-
12 scribed in clause (i),

13 the primary insurance amount of such deceased individual
14 shall be the primary insurance amount determined under the
15 rules which would apply (but for subparagraph (A)) or the
16 primary insurance amount determined under subparagraph
17 (A), whichever is larger.

18 “(C) For purposes of determining the maximum family
19 benefit amount with respect to a deceased individual for
20 whom a primary insurance amount is determined under this
21 paragraph, the primary insurance amount of such deceased
22 individual shall be the primary insurance amount determined
23 under the rules which would apply (but for this paragraph) or
24 the primary insurance amount determined under this para-
25 graph, whichever is larger.”.

1 (b) The amendments made by subsection (a) shall apply
2 to the benefits of individuals who become eligible for benefits
3 under section 202 (e) and (f) of the Social Security Act after
4 December 1983.

5 BENEFITS FOR DIVORCED SPOUSE REGARDLESS OF
6 WHETHER FORMER SPOUSE HAS RETIRED

7 SEC. 205. (a) Section 202(b) of the Social Security Act
8 is amended by adding at the end thereof the following new
9 paragraph:

10 “(5) For purposes of determining the entitlement of a
11 divorced wife to a benefit under this subsection and the
12 amount of such benefit, in the case of a wife who has been
13 divorced from her former husband for a period of not less
14 than 24 months—

15 “(A) such former husband shall be deemed to be
16 entitled to an old-age insurance benefit if he would be
17 entitled to such a benefit if he applied therefor; and

18 “(B) the amount of such benefit for such divorced
19 wife shall be determined without regard to reductions
20 which are or would be made under section 203 on ac-
21 count of work performed by such former husband.”.

22 (b)(1) The amendment made by subsection (a) shall be
23 effective with respect to monthly benefits payable under title
24 II of the Social Security Act for months after December
25 1983.

1 (2) In the case of an individual who was not entitled to a
2 monthly benefit under title II of such Act for December
3 1983, no benefit shall be paid under such title by reason of
4 such amendment unless proper application for such benefit is
5 made.

6 INCREASE IN BENEFIT AMOUNT FOR DISABLED WIDOWS
7 AND WIDOWERS

8 SEC. 206. (a)(1) Section 202(q)(1) of the Social Security
9 Act is amended by striking out the semicolon at the end of
10 subparagraph (B)(ii) and all that follows and inserting in lieu
11 thereof a period.

12 (2) Section 202(q)(6) of such Act is amended to read as
13 follows:

14 “(6) For purposes of this subsection, the ‘reduction
15 period’ for an old-age, wife’s, husband’s, widow’s, or widow-
16 er’s insurance benefit is the period beginning—

17 “(A) in the case of an old-age or husband’s insur-
18 ance benefit, with the first day of the first month for
19 which such individual is entitled to such benefit,

20 “(B) in the case of a wife’s insurance benefit, with
21 the first day of the first month for which a certificate
22 described in paragraph (5)(A)(i) is effective, or

23 “(C) in the case of a widow’s or widower’s insur-
24 ance benefit, with the first day of the first month for
25 which such individual is entitled to such benefit or the

1 first day of the month in which such individual attains
2 age 60, whichever is later,
3 and ending with the last day of the month before the month
4 in which such individual attains retirement age.”.

5 (3) Section 202(q)(7) of such Act is amended by striking
6 out the matter preceding subparagraph (A) and inserting in
7 lieu thereof the following:

8 “(7) For purposes of this subsection, the ‘adjusted re-
9 duction period’ for an old-age, wife’s, husband’s, widow’s, or
10 widower’s insurance benefit is the reduction period prescribed
11 in paragraph (6) for such benefit, excluding—”.

12 (4) Paragraphs (1)(B)(i), (3)(E)(ii), and (3)(F)(ii) of sec-
13 tion 202(q) of such Act are each amended by striking out
14 “(6)(A)” and inserting in lieu thereof in each instance “(6)”.

15 (5) Section 202(q)(3)(G) of such Act is amended by
16 striking out “paragraph (6)(A) (or, if such paragraph does not
17 apply, the period specified in paragraph (6)(B))” and inserting
18 in lieu thereof “paragraph (6)”.

19 (6) Section 202(q)(10) of such Act is amended—

20 (A) by striking out “or an additional adjusted re-
21 duction period”;

22 (B) in subparagraphs (B)(i), (C)(i), and (C)(ii), by
23 striking out “, plus the number of months in the ad-
24 justed additional reduction period multiplied by $43/240$
25 of 1 percent”; and

1 (C) in subparagraph (B)(ii), by striking out “, plus
2 the number of months in the additional reduction
3 period multiplied by $43/240$ of 1 percent”.

4 (b)(1) The amendments made by this section shall be
5 effective with respect to monthly benefits under title II of the
6 Social Security Act for months after December 1983.

7 (2) In the case of an individual who was not entitled to a
8 monthly benefit under title II of such Act for December
9 1983, no benefit shall be paid under such title by reason of
10 such amendments unless proper application for such benefit is
11 made.

12 ADJUSTMENT TO COST-OF-LIVING INCREASE WHEN TRUST
13 FUND RATIO FALLS BELOW 20 PERCENT

14 SEC. 207. (a) Section 215(i)(2)(A)(ii) of the Social Secu-
15 rity Act is amended, in the matter following clause (III), by
16 striking out “The increase shall be derived” and inserting in
17 lieu thereof “Except as otherwise provided in paragraph (5),
18 the increase shall be derived”.

19 (b) Section 215(i) of such Act is amended by adding at the
20 end thereof the following new paragraph:

21 “(5)(A) The amount of the increase under paragraph (2)
22 to become effective for monthly benefits payable for Decem-
23 ber 1988 or any December thereafter shall, if the Secretary
24 makes a finding under this paragraph that the combined trust
25 funds ratio (as defined in subparagraph (D)) as of the start of

1 business on January 1 of the calendar year in which such
2 December falls is less than 20 percent, be determined under
3 paragraph (2) by substituting—

4 “(i) the percentage (rounded to the nearest one-
5 tenth of 1 percent) by which the average of the total
6 wages for the preceding calendar year (as determined
7 for purposes of subsection (b)(3)(A)(ii)) exceeds such
8 average for the second preceding calendar year (and if
9 no increase in such wages took place, the percentage
10 shall be deemed to be zero), for

11 “(ii) the percentage otherwise applicable under
12 paragraph (2),

13 but only if the percentage determined under clause (i) is less
14 than the percentage determined under clause (ii).

15 “(B) In any case in which a cost-of-living adjustment
16 would not be made under this subsection on account of the
17 relevant increase in the Consumer Price Index being less
18 than 3 percent, no such cost-of-living increase shall be made
19 by reason of this paragraph. For purposes of any subsequent
20 determination of a cost-of-living increase based upon a period
21 of more than 12 months, the percentage of the cost-of-living
22 increase (if any) to be applied under paragraph (2) shall be
23 the sum of the percentage increases for each relevant 12-
24 month period in such longer period which would have been
25 effective under this subsection (including this paragraph) but

1 for the provision of paragraph (1) which limits such increases
2 only to cases in which the relevant increase in the Consumer
3 Price Index is equal to or greater than 3 percent.

4 “(C) The Secretary shall make the finding with respect
5 to the combined trust funds ratio (as of the start of business
6 on January 1 of each calendar year) on October 1 of each
7 calendar year, based upon the most recent data available as
8 of that time.

9 “(D) For purposes of this paragraph, the term ‘com-
10 bined trust funds ratio’ means the ratio of—

11 “(i) the combined balance in the Federal Old-Age
12 and Survivors Insurance Trust Fund and the Federal
13 Disability Insurance Trust Fund, reduced by the
14 amount of any outstanding loan (including interest
15 thereon) from the Federal Hospital Insurance Trust
16 Fund, as of the start of business on January 1 of any
17 calendar year, to

18 “(ii) the amount estimated by the Secretary to be
19 the total amount to be paid from the Federal Old-Age
20 and Survivors Insurance Trust Fund and the Federal
21 Disability Insurance Trust Fund during such calendar
22 year for all purposes authorized by section 201, but ex-
23 cluding any transfer payments between such trust
24 funds and reducing the amount of any transfer to the
25 Railroad Retirement Account by the amount of any

1 transfers into either such trust fund from the Railroad
2 Retirement Account.

3 “(E) If any increase under paragraph (2) has been deter-
4 mined on the basis of the substitute formula in subparagraph
5 (A)(i) of this paragraph, and, for any succeeding calendar
6 year, the Secretary determines that the combined trust funds
7 ratio is greater than 32 percent, the Secretary shall pay addi-
8 tional benefits with respect to the 12-month period beginning
9 with the following December in amounts not to exceed—

10 “(i) in the aggregate, a total amount which, ac-
11 cording to actuarial estimate, equals the amount by
12 which the balance in such trust funds on the date of
13 such determination exceeds the amount necessary to
14 effect a combined trust funds ratio of 32 percent for
15 the following year; and

16 “(ii) with respect to any individual, for benefits for
17 each month in such 12-month period, an amount equal
18 to one-twelfth of the total amount by which all benefits
19 paid to him during all previous years were less than
20 the amounts which would have been paid to him but
21 for the provisions of this paragraph.

22 Such additional benefits shall be paid as a percentage in-
23 crease in the monthly benefits otherwise payable for months
24 during such 12-month period. If there are not sufficient funds
25 available to pay additional benefits in the full amount to all

1 individuals (taking into account the limitation in clause (i)),
2 amounts paid under this subparagraph shall be paid on a pro
3 rata basis to all individuals who are entitled to any such
4 amount and are entitled to a benefit under this title for the
5 months in which such additional amounts are being paid.

6 “(F) In any case in which additional payments are made
7 by reason of the provisions of subparagraph (E), for purposes
8 of determining benefit amounts for months after the 12-
9 month period for which such additional benefits were made,
10 the percentage increase under this subsection applicable to
11 benefits payable for such 12-month period shall be deemed to
12 be the actual percentage achieved by reason of such addition-
13 al payments (as measured with respect to payments which
14 are not subject to reduction under any other provision of this
15 Act).”.

16 (c) Only with respect to the determination made for Jan-
17 uary 1, 1988, the combined trust fund ratio for such year (for
18 purposes of determining the increase under section 215(i) of
19 the Social Security Act for benefits payable for December of
20 such year) shall be determined by using the actuarial estimate
21 of the Secretary of Health and Human services of the ratio
22 of—

23 (1) the combined balance which will be available
24 in the Federal Old-Age and Survivors Insurance Trust
25 Fund and the Federal Disability Insurance Trust Fund,

1 reduced by the amount of any outstanding loan (includ-
2 ing interest thereon) from the Federal Hospital Insur-
3 ance Trust Fund, at the close of business on December
4 31 of such calendar year, to

5 (2) the amount estimated by the Secretary to be
6 the total amount to be paid from the Federal Old-Age
7 and Survivors Insurance Trust Fund and the Federal
8 Disability Insurance Trust Fund for calendar year
9 1988 for all purposes authorized by section 201 of such
10 Act, but excluding any transfer payments between such
11 trust funds, and reducing the amount of any transfer to
12 the Railroad Retirement Account by the amount of any
13 transfers into either such trust fund from the Railroad
14 Retirement Account.

15 (d) Section 1617(a)(2) of the Social Security Act is
16 amended by inserting “, or, if greater, the percentage by
17 which benefit amounts under title II would be increased for
18 such month but for the provisions of section 215(i)(5),” after
19 “are increased for such month”.

20 INCREASE IN OLD-AGE INSURANCE BENEFIT AMOUNTS ON
21 ACCOUNT OF DELAYED RETIREMENT

22 SEC. 208. (a) Section 202(w)(1)(A) of the Social Secu-
23 rity Act is amended to read as follows:

24 “(A) the applicable percentage (as determined
25 under paragraph (6)) of such amount, multiplied by”.

1 (b) Section 202(w) of such Act is amended by adding at
2 the end thereof the following new paragraph:

3 “(6) For purposes of paragraph (1)(A), the applicable
4 percentage is—

5 “(A) $\frac{1}{12}$ of 1 percent in the case of an individual
6 who first becomes eligible for an old-age insurance
7 benefit before 1979; and

8 “(B) in the case of all other individuals—

9 “(i) $\frac{1}{4}$ of 1 percent for increment months
10 earned prior to 1990,

11 “(ii) with respect to increment months
12 earned after 1989, a percentage equal to the per-
13 centage in effect under this subparagraph for
14 months in the preceding calendar year (as in-
15 creased pursuant to this clause), plus $\frac{1}{48}$ of 1
16 percent, and

17 “(iii) $\frac{2}{3}$ of 1 percent for increment months
18 earned after 2008.”.

19 (c)(1) Paragraphs (2) (A) and (3) of section 202(w) of
20 such Act are each amended by striking out “age 72” and
21 inserting in lieu thereof “age 70”.

22 (2) The amendments made by paragraph (1) shall apply
23 with respect to increment months in calendar years after
24 1983.

1 **TITLE III—REVENUE PROVISIONS**

2 **SEC. 301. AMENDMENT OF 1954 CODE.**

3 Except as otherwise expressly provided, whenever in
4 this title an amendment or repeal is expressed in terms of an
5 amendment to, or repeal of, a section or other provision, the
6 reference shall be considered to be made to a section or other
7 provision of the Internal Revenue Code of 1954.

8 **SEC. 302. TAXATION OF 50 PERCENT OF SOCIAL SECURITY**
9 **BENEFITS OF HIGHER INCOME PERSONS.**

10 (a) **GENERAL RULE.**—Part II of subchapter B of chap-
11 ter 1 (relating to amounts specifically included in gross
12 income) is amended by redesignating section 86 as section 87
13 and by inserting after section 85 the following new section:
14 “**SEC. 86. SOCIAL SECURITY BENEFITS.**

15 “(a) **IN GENERAL.**—If the adjusted gross income (deter-
16 mined without regard to this section, section 105(d), or sec-
17 tion 221) of the taxpayer for the taxable year exceeds the
18 base amount, there shall be included in the gross income of
19 the taxpayer for the taxable year an amount equal to one-half
20 of the social security benefits paid to the taxpayer during the
21 taxable year.

22 “(b) **BASE AMOUNT.**—For purposes of this section, the
23 term ‘base amount’ means—

24 “(1) except as provided in paragraphs (2) and (3),
25 \$20,000,

1 “(2) \$25,000, in the case of a joint return, and

2 “(3) zero, in the case of a taxpayer who—

3 “(A) is married at the close of the taxable
4 year (within the meaning of section 143) but does
5 not file a joint return for such year, and

6 “(B) does not live apart from his spouse at
7 all times during the taxable year.

8 “(d) **SOCIAL SECURITY BENEFIT.**—For purposes of
9 this section, the term ‘social security benefit’ means any
10 amount paid to the taxpayer by reason of entitlement to a
11 monthly benefit under title II of the Social Security Act.”.

12 (b) **INFORMATION REPORTING.**—Subchapter B of part
13 III of subchapter A of chapter 61 (relating to information
14 concerning transactions with other persons) is amended by
15 adding at the end thereof the following new section:

16 **“SEC. 6050F. RETURNS RELATING TO SOCIAL SECURITY**
17 **BENEFITS.**

18 “(a) **REQUIREMENT OF REPORTING.**—The Secretary of
19 Health and Human Services shall make a return, according
20 to the forms and regulations prescribed by the Secretary, set-
21 ting forth—

22 “(1) the aggregate amount of social security bene-
23 fits (within the meaning of section 86(d)) paid to any
24 individual during any calendar year, and

1 “(2) the name and address of the individual to
2 whom paid.

3 “(b) STATEMENTS TO BE FURNISHED TO INDIVID-
4 UALS WITH RESPECT TO WHOM INFORMATION IS FUR-
5 NISHED.—Every person making a return under subsection
6 (a) shall furnish to each individual whose name is set forth in
7 such return a written statement showing—

8 “(1) the name and address of the person making
9 such return, and

10 “(2) the aggregate amount of payments to the in-
11 dividual as shown on such return.

12 The written statement required under the preceding sentence
13 shall be furnished to the individual on or before January 31
14 of the year following the calendar year for which the return
15 under subsection (a) was made.”.

16 (c) APPROPRIATIONS AND TRANSFERS TO TRUST
17 FUNDS.—Section 201 of the Social Security Act is amended
18 by adding at the end thereof the following new subsection:

19 “(m)(1) There are appropriated, out of any moneys in
20 the Treasury not otherwise appropriated, for each fiscal
21 year—

22 “(A) to the Federal Old-Age and Survivors Insur-
23 ance Trust Fund an amount which bears the same
24 ratio to the increase in tax liability under chapter 1 of
25 the Internal Revenue Code of 1954 which is attributa-

1 ble to section 86 of such Code and properly allocable
2 to such fiscal year as—

3 “(i) the amount which is appropriated to
4 such trust fund under subsection (a) for such fiscal
5 year, bears to

6 “(ii) the aggregate amounts appropriated
7 under subsections (a) and (b) for such fiscal year,
8 and

9 “(B) to the Federal Disability Insurance Trust
10 Fund an amount equal to the portion of the increase in
11 tax described in subparagraph (A) which is not appro-
12 priated under subparagraph (A).

13 “(2)(A) The Secretary of the Treasury shall estimate for
14 fiscal year 1984 (and each year thereafter) the amount appro-
15 priated under paragraph (1).

16 “(B) On the basis of the estimate under subparagraph
17 (A), the Secretary of the Treasury shall not less than quarter-
18 ly make transfers to the appropriate trust funds.

19 “(3)(A) The Secretary of the Treasury shall make
20 proper adjustments in the amounts subsequently transferred
21 under paragraph (2) to the extent prior estimates differed
22 from the amounts required to be appropriated.

23 “(B) For purposes of this subsection, the final determi-
24 nation of the amount required to be transferred under this

1 subsection for any fiscal year shall be based on the final sta-
2 tistics of income which are—

3 “(i) published under section 6108(a) of the Inter-
4 nal Revenue Code of 1954, and

5 “(ii) properly allocable to such fiscal year.”.

6 (d) EFFECTIVE DATE.—The amendments made by this
7 section shall apply to benefits received after December 31,
8 1983, and attributable to periods after such date.

9 **SEC. 303. ACCELERATION OF INCREASE IN FICA TAXES; 1984**
10 **EMPLOYEE FICA TAX CREDIT.**

11 (a) ACCELERATION OF INCREASE IN FICA TAXES.—

12 (1) TAX ON EMPLOYEES.—Subsection (a) of sec-
13 tion 3101 (relating to rate of tax on employees for old-
14 age, survivors, and disability insurance) is amended by
15 striking out paragraphs (5), (6), and (7) and inserting in
16 lieu thereof the following:

17 “(5) with respect to wages received during the
18 calendar years 1982 and 1983, the rate shall be 5.40
19 percent;

20 “(6) with respect to wages received during the
21 calendar years 1984 through 1987, the rate shall be
22 5.70 percent;

23 “(7) with respect to wages received during the
24 calendar years 1988 and 1989, the rate shall be 6.06
25 percent; and

1 “(8) with respect to wages received after Decem-
2 ber 31, 1989, the rate shall be 6.20 percent.”.

3 (2) TAX ON EMPLOYERS.—Subsection (a) of sec-
4 tion 3111 (relating to rate of tax on employers for old-
5 age, survivors, and disability insurance) is amended by
6 striking out paragraphs (5) through (7) and inserting in
7 lieu thereof the following:

8 “(5) with respect to wages paid during the calen-
9 dar years 1982 and 1983, the rate shall be 5.40 per-
10 cent;

11 “(6) with respect to wages paid during the calen-
12 dar years 1984 through 1987, the rate shall be 5.70
13 percent;

14 “(7) with respect to wages paid during the calen-
15 dar years 1988 and 1989, the rate shall be 6.06 per-
16 cent; and

17 “(8) with respect to wages paid after December
18 31, 1989, the rate shall be 6.20 percent.”.

19 (3) CONFORMING AMENDMENT TO RAILROAD RE-
20 TIREMENT TAX ACT.—Section 3231 (relating to defi-
21 nitions) is amended by adding at the end thereof the
22 following new subsection:

23 “(i) TAXES IMPOSED BY SECTIONS 3101(a) AND
24 3111(a).—For purposes of this chapter, the rates of tax im-
25 posed by sections 3101(a) and 3111(a) shall be determined

1 without regard to the amendments made by the Social Secu-
2 rity Amendments of 1983.”.

3 (b) CREDIT FOR EMPLOYEE FICA TAXES ATTRIBUT-
4 ABLE TO ACCELERATION OF THE INCREASE IN THE RATE
5 OF TAX.—

6 (1) IN GENERAL.—Subchapter B of chapter 65
7 (relating to rules of special application for abatements,
8 credits, and refunds) is amended by inserting at the end
9 thereof the following new section:

10 “SEC. 6430. CREDIT FOR CERTAIN 1984 EMPLOYEE FICA
11 TAXES.

12 “(a) ALLOWANCE OF CREDIT.—There shall be allowed
13 as a credit against the tax imposed by subtitle A for any
14 taxable year which begins in (and ends with or after) calendar
15 year 1984 an amount equal to the product of—

16 “(1) .003, multiplied by

17 “(2) the amount of wages received by the taxpay-
18 er during calendar year 1984 with respect to which—

19 “(A) a tax was imposed by section 3101(a),
20 or

21 “(B) a payment was made under an agree-
22 ment under section 218 of the Social Security
23 Act.

24 “(b) CREDIT TO BE REFUNDABLE.—For purposes of
25 this title (other than subpart A of part IV of subchapter A of

1 chapter 1 and chapter 63), the credit allowed by subsection
2 (a) shall be treated as if it were allowed by section 31 and not
3 this section.

4 “(c) WAGES DEFINED.—For purposes of this section,
5 the term ‘wages’ has the meaning given to such term by
6 section 3121(a), except that such term also includes remuneration covered by an agreement under section 218 of the
7 Social Security Act.

9 “(d) COORDINATION WITH ADVANCE PAYMENTS
10 UNDER SECTION 3510.—

11 “(1) RECONCILIATION OF PAYMENTS ADVANCED
12 AND CREDIT ALLOWED.—If any payment is made to
13 the taxpayer by an employer under section 3510
14 during 1984, then the tax imposed by this chapter for
15 the taxable year to which subsection (a) applies shall
16 be increased by the aggregate amount of such payments.
17

18 “(2) EFFECT OF RECONCILIATION ON OTHER
19 CREDITS.—Any increase in tax under paragraph (1)
20 shall not be treated as tax imposed by this chapter for
21 purposes of determining the amount of any credit
22 (other than the credit allowed by subsection (a)) allowable under this subpart.”.
23

1 (2) CONFORMING AMENDMENT.—The table of
2 sections for subchapter B of chapter 65 is amended by
3 adding at the end thereof the following new item:

 “Sec. 6430. Credit for certain 1984 employee FICA taxes.”.

4 (c) ADVANCE PAYMENT OF SOCIAL SECURITY
5 CREDIT.—

6 (1) IN GENERAL.—Chapter 25 (relating to gener-
7 al provisions involving employment taxes) is amended
8 by adding at the end thereof the following new section:

9 “SEC. 3510. ADVANCE PAYMENT OF 1984 FICA TAX CREDIT.

10 “(a) IN GENERAL.—Except as otherwise provided in
11 this section, every employer making payment of wages to an
12 employee shall, at the time of paying such wages, make an
13 additional payment to such employee equal to the product
14 of—

15 “(1) .003, multiplied by,

16 “(2) the amount of such wages with respect to
17 which—

18 “(A) a tax is imposed by section 3101(a) for
19 the payroll period, or

20 “(B) a payment was made under an agree-
21 ment under section 218 of the Social Security
22 Act.

23 “(b) PAYMENTS TO BE TREATED AS PAYMENTS OF
24 FICA TAXES.—

1 “(1) **EMPLOYEE PAYMENTS.**—For purposes of
2 this title, payments made by an employer under sub-
3 section (a) to his employees for any payroll period—

4 “(A) shall not be treated as the payment of
5 compensation, and

6 “(B) shall be treated as made out of amounts
7 required to be deducted for the payroll period
8 under section 3102 (relating to FICA employee
9 taxes), and as if the employer had paid to the
10 Secretary, on the day on which the wages are
11 paid to the employees, an amount equal to such
12 payments.

13 “(2) **FAILURE TO MAKE ADVANCE PAYMENTS.**—
14 For purposes of this title (including penalties), failure
15 to make any advance payment under subsection (a) at
16 the time provided therefor shall be treated as the fail-
17 ure at such time to deduct and withhold under sub-
18 chapter A of chapter 24 an amount equal to the
19 amount of such advance payment.

20 “(c) **DEFINITIONS.**—For purposes of this section—

21 “(1) **WAGES.**—The term ‘wages’ has the meaning
22 given such term by section 6430(c).

23 “(2) **EMPLOYER.**—The term ‘employer’ includes
24 any person treated as an employer under any agree-

1 ment made pursuant to section 218 of the Social Secu-
2 rity Act.”.

3 (2) CONFORMING AMENDMENTS.—

4 (A) Section 6302 (relating to mode or time
5 of collection) is amended by adding at the end
6 thereof the following new subsection:

7 “(e) CROSS REFERENCE.—

 “**For treatment of payment of FICA tax credit advance
 amounts as payment of withholding and FICA taxes, see
 section 3510(b).**”.

8 (B) The table of sections for chapter 25 is
9 amended by adding at the end thereof the follow-
10 ing new item:

 “Sec. 3510. Advance payment of 1984 FICA tax credit.”.

11 (d) EFFECTIVE DATE.—The amendments made by this
12 section shall apply only with respect to remuneration re-
13 ceived or paid, and taxable years beginning, after December
14 31, 1983.

15 SEC. 304. SELF-EMPLOYMENT TAXES.

16 (a) INCREASE IN RATE OF TAX.—Subsection (a) of sec-
17 tion 1401 (relating to the old-age, survivors, and disability
18 insurance tax on self-employment income) is amended by
19 striking out paragraphs (5), (6), and (7) and inserting in lieu
20 thereof the following:

21 “(5) in the case of any taxable year beginning
22 after December 31, 1981, and before January 1, 1984,

1 the tax shall be equal to 8.05 percent of the amount of
2 the self-employment income for such taxable year;

3 “(6) in the case of any taxable year beginning
4 after December 31, 1983, and before January 1, 1988,
5 the tax shall be equal to 11.40 percent of the amount
6 of the self-employment income for such taxable year;

7 “(7) in the case of any taxable year beginning
8 after December 31, 1987, and before January 1, 1990,
9 the tax shall be equal to 12.12 percent of the amount
10 of the self-employment income for such taxable year;
11 and

12 “(8) in the case of any taxable year beginning
13 after December 31, 1989, the tax shall be equal to
14 12.40 percent of the amount of the self-employment
15 income for such taxable year.”.

16 (b) ALLOWANCE OF DEDUCTION FOR 50 PERCENT OF
17 THE SELF-EMPLOYMENT TAX.—

18 (1) ALLOWANCE OF DEDUCTION.—

19 (A) IN GENERAL.—Part VII of subchapter B
20 of chapter 1 (relating to additional itemized de-
21 ductions for individuals) is amended by redes-
22 ignating section 223 as section 224 and by insert-
23 ing after section 222 the following new section:

1 **“SEC. 223. DEDUCTION FOR 50 PERCENT OF SELF-EMPLOY-**
2 **MENT TAXES.**

3 “There shall be allowed as a deduction for the taxable
4 year an amount equal to 50 percent of the tax imposed by
5 section 1401(a) which is paid or accrued by the taxpayer
6 during such taxable year.”.

7 **(B) DEDUCTION ALLOWED IN COMPUTING**
8 **ADJUSTED GROSS INCOME.**—Section 62 (defining
9 adjusted gross income) is amended by inserting
10 after paragraph (16) the following new paragraph:
11 “(17) **SELF-EMPLOYMENT TAXES.**—The deduc-
12 tion allowed by section 223.”.

13 **(2) CONFORMING AMENDMENTS.**—

14 **(A)** Paragraph (1) of section 275(a) (relating
15 to disallowance of deductions for certain taxes) is
16 amended—

17 (i) by striking out “and” at the end of
18 subparagraph (B),

19 (ii) by striking out the period at the end
20 of subparagraph (C) and inserting in lieu
21 thereof a semicolon and “and”; and

22 (iii) by adding at the end thereof the fol-
23 lowing new subparagraph:

24 “(D) the taxes imposed by section 1401 (re-
25 lating to self-employment taxes) to the extent a

1 deduction is not allowed with respect to such
2 taxes under section 223.”.

3 (B) Subsection (b) of section 1403 (relating
4 to cross references) is amended by adding at the
5 end thereof the following new paragraph:

6 “(4) For provisions relating to deductibility of self-
7 employment taxes, see sections 223 and 275(a)(1)(D).”.

8 (C) Subsection (a) of section 1402 (defining
9 net earnings from self-employment) is amended by
10 inserting “(other than the deduction allowed by
11 section 223)” after “trade or business” the second
12 place it appears.

13 (D) The table of sections for part VII of sub-
14 chapter B of chapter 1 is amended by striking out
15 the item relating to section 223 and inserting in
16 lieu thereof the following new items:

“Sec. 223. Deduction for 50 percent of self-employment taxes.

“Sec. 224. Cross References.”.

17 (c) **EFFECTIVE DATE.**—The amendments made by this
18 section shall apply to taxable years beginning after December
19 31, 1983.

20 **SEC. 305. COVERAGE OF PAYMENTS UNDER SALARY-REDUC-**
21 **TION PLANS.**

22 (a) **DEFINITION OF WAGES.**—

23 (1) **INTERNAL REVENUE CODE OF 1954.**—Section
24 3121(a)(5)(A) (defining wages) is amended by inserting

1 “is a payment under a qualified cash or deferred ar-
2 rangement under section 401(k) or” after “unless such
3 payment”.

4 (2) SOCIAL SECURITY ACT.—Section 209(e)(1) of
5 the Social Security Act is amended by inserting “is a
6 payment under a qualified cash or deferred arrange-
7 ment under section 401(k) of the Internal Revenue
8 Code of 1954 or” after “unless such payment”.

9 (b) EFFECTIVE DATE.—The amendments made by sub-
10 section (a) shall apply with respect to payments made after
11 December 31, 1983.

12 TITLE IV—MISCELLANEOUS FINANCING
13 PROVISIONS

14 ALLOCATIONS TO DISABILITY INSURANCE TRUST FUND

15 SEC. 401. (a) Section 201(b)(1) of the Social Security
16 Act is amended by striking out clauses (K) through (M) and
17 inserting in lieu thereof the following: “(K) 1.65 per centum
18 of the wages (as so defined) paid after December 31, 1981,
19 and before January 1, 1984, and so reported, (L) 0.50 per
20 centum of the wages (as so defined) paid after December 31,
21 1983, and before January 1, 1985, and so reported, (M) 1.00
22 per centum of the wages (as so defined) paid after December
23 31, 1984, and before January 1, 1990, and so reported, and
24 (N) 1.60 per centum of the wages (as so defined) paid after
25 December 31, 1989, and so reported,”.

1 (b) Section 201(b)(2) of such Act is amended by striking
2 out clauses (K) through (M) and inserting in lieu thereof the
3 following: “(K) 1.2375 per centum of the amount of self-
4 employment income (as so defined) so reported for any tax-
5 able year beginning after December 31, 1981, and before
6 January 1, 1984, (L) 0.50 per centum of the amount of self-
7 employment income (as so defined) so reported for any tax-
8 able year beginning after December 31, 1983, and before
9 January 1, 1985, (M) 1.00 per centum of the amount of self-
10 employment income (as so defined) so reported for any tax-
11 able year beginning after December 31, 1984, and before
12 January 1, 1990, and (N) 1.60 per centum of the self-em-
13 ployment income (as so defined) so reported for any taxable
14 year beginning after December 31, 1989,”.

15 INTERFUND BORROWING EXTENSION

16 SEC. 402. (a) Section 201(l)(1) of the Social Security
17 Act is amended by striking out “January 1983” and insert-
18 ing in lieu thereof “January 1988”.

19 (b) Section 1817 of such Act is amended by striking out
20 subsection (j) thereof.

21 CREDITING AMOUNTS OF UNNEGOTIATED CHECKS TO

22 TRUST FUNDS

23 SEC. 403. (a) The Secretary of the Treasury shall take
24 such actions as may be necessary to ensure that amounts of
25 checks for benefits under title II of the Social Security Act

1 which have not been presented for payment within a reason-
2 able length of time (not to exceed twelve months) after issu-
3 ance are credited to the Federal Old-Age and Survivors In-
4 surance Trust Fund or the Federal Disability Insurance
5 Trust Fund, whichever may be the fund from which the
6 check was issued. Amounts of any such check shall be re-
7 charged to the fund from which they were issued if payment
8 is subsequently made on such check.

9 (b)(1) The Secretary of the Treasury shall transfer from
10 the general fund of the Treasury to the Federal Old-Age and
11 Survivors Insurance Trust Fund and to the Federal Disabil-
12 ity Insurance Trust Fund, as appropriate, such sums as may
13 be necessary to reimburse such Trust Funds in the total
14 amounts of all currently unnegotiated benefit checks. After
15 the amounts appropriated by this subsection have been trans-
16 ferred to the Trust Funds, the provisions of subsection (a)
17 shall be applicable. There are hereby appropriated into such
18 Trust Funds such sums as may be necessary to reimburse
19 such Trust Funds for the amount of currently unnegotiated
20 benefit checks. The first such transfer shall be made within
21 thirty days after the date of the enactment of this Act with
22 respect to all such unnegotiated checks as of such date of
23 enactment.

24 (2) As used in paragraph (1), the term "currently unne-
25 gotiated benefit checks" means the checks issued under title

1 II of the Social Security Act prior to the date of the enact-
2 ment of this Act, which remain unnegotiated after the twelfth
3 month following the date on which they were issued.

4 TRANSFER TO TRUST FUNDS FOR BENEFITS

5 ATTRIBUTABLE TO MILITARY SERVICE BEFORE 1957

6 SEC. 404. (a) Section 217(g) of the Social Security Act
7 is amended to read as follows:

8 “Appropriation to Trust Funds

9 “(g)(1) Within thirty days after the date of the enact-
10 ment of the Social Security Amendments of 1983, the Secre-
11 tary shall determine the amounts which are the amounts esti-
12 mated to be necessary to be transferred into each of the Fed-
13 eral Old-Age and Survivors Insurance Trust Fund, the Fed-
14 eral Disability Insurance Trust Fund, and the Federal Hospi-
15 tal Insurance Trust Fund on such date of enactment so that
16 each such Trust Fund will be in the same position at the
17 close of September thirty, 2015 as each such Trust Fund
18 would otherwise be in at the close of September thirty, 2015
19 if section 210 of this Act as in effect prior to the Social Secu-
20 rity Act Amendments of 1950, and this section, had not been
21 enacted (less any amounts previously transferred under the
22 provisions of this subsection as in effect prior to the date of
23 the enactment of the Social Security Amendments of 1983).
24 The rate of interest to be used in initially determining such
25 amount shall be the rate determined under section 201(f) for

1 public debt obligations which were or could have been issued
2 for purchase by such Trust Funds on the date of the enact-
3 ment of the Social Security Amendments of 1983, and the
4 assumptions with respect to future increases in wage and
5 price levels shall be consistent with such rate of interest. The
6 Secretary of the Treasury shall transfer the amounts deter-
7 mined under this paragraph into such Trust Funds from the
8 general fund in the Treasury within thirty days after the date
9 of the enactment of the Social Security Amendments of
10 1983. There are hereby appropriated into such Trust Funds
11 sums equal to the amounts to be transferred in accordance
12 with this paragraph into such Trust Funds.

13 “(2) The Secretary shall revise the amount determined
14 under paragraph (1) within one year after the date of the
15 transfer made under paragraph (1), and every five years
16 thereafter, as warranted by data which may become available
17 to him after the date of the transfer under paragraph (1)
18 based upon actual benefits paid under this title and title
19 XVIII. Any amounts determined to be needed for transfer
20 shall be transferred annually by the Secretary of the Treas-
21 ury into the appropriate Trust Fund from the general fund in
22 the Treasury, or out of the appropriate Trust Fund into the
23 general fund in the Treasury, as may be appropriate. There
24 are authorized to be appropriated to such Trust Funds sums

1 equal to the amounts to be transferred in accordance with
2 this paragraph into such Trust Funds.”.

3 PAYMENTS TO TRUST FUNDS OF AMOUNTS EQUIVALENT
4 TO TAXES ON SERVICE IN THE UNIFORMED SERVICES
5 PERFORMED AFTER 1956

6 SEC. 405. (a) Section 229(b) of the Social Security Act
7 is amended to read as follows:

8 “(b) There are authorized to be appropriated to the Fed-
9 eral Old-Age and Survivors Insurance Trust Fund, the Fed-
10 eral Disability Insurance Trust Fund, and the Federal Hospi-
11 tal Insurance Trust Fund, for each fiscal year, amounts equal
12 to the additional amounts which would be appropriated into
13 each such Trust Fund for such fiscal year under sections 201
14 and 1817 of this Act if the amounts of the additional wages
15 deemed to have been paid by reason of subsection (a) consti-
16 tuted remuneration for employment (as defined in section
17 3121(b) of the Internal Revenue Code of 1954) for purposes
18 of the taxes imposed by sections 3101 and 3111 of the Inter-
19 nal Revenue Code of 1954.”.

20 (b) The amendment made by subsection (a) shall be ef-
21 fective with respect to wages deemed to have been paid for
22 calendar years after 1982.

23 (c)(1) Within thirty days after the date of the enactment
24 of this Act, the Secretary of Health and Human Services
25 shall determine the amounts equal to the additional amounts

1 which would have been appropriated into the Federal Old-
2 Age and Survivors Insurance Trust Fund, the Federal Dis-
3 ability Insurance Trust Fund, and the Federal Hospital In-
4 surance Trust Fund under sections 201 and 1817 of the
5 Social Security Act, if the additional wages deemed to have
6 been paid under section 229(a) of the Social Security Act
7 prior to 1983 had constituted remuneration for employment
8 (as defined in section 3121(b) of the Internal Revenue Code
9 of 1954) for purposes of the taxes imposed by sections 3101
10 and 3111 of the Internal Revenue Code of 1954, and the
11 amount of interest which would have been earned on such
12 amounts if they had been so appropriated.

13 (2)(A) The Secretary of the Treasury shall, within thirty
14 days after the date of the enactment of this Act, transfer into
15 each such Trust Fund, from the general fund in the Treasury,
16 an amount equal to the amount determined with respect to
17 such Trust Fund under paragraph (1), less any amount ap-
18 propriated into such Trust Fund under the provisions of sec-
19 tion 229(b) of the Social Security Act prior to the date of the
20 determination made under paragraph (1) with respect to
21 wages deemed to have been paid for calendar years prior to
22 1983. There are hereby appropriated into such Trust Funds
23 sums equal to the amounts to be transferred in accordance
24 with this subparagraph into such Trust Funds.

1 (B) The Secretary shall revise the amount determined
2 under subparagraph (A) within one year after the date of the
3 transfer made under paragraph (1), as warranted by data
4 which may become available to him after the date of the
5 transfer under subparagraph (A) based upon actual benefits
6 paid under this title and title XVIII. Any amounts deter-
7 mined to be needed for transfer shall be transferred by the
8 Secretary of the Treasury into the appropriate Trust Fund
9 from the general fund in the Treasury, or out of the appropri-
10 ate Trust Fund into the general fund in the Treasury, as may
11 be appropriate. There are authorized to be appropriated to
12 such Trust Funds sums equal to the amounts to be trans-
13 ferred in accordance with this subparagraph into such Trust
14 Funds.

15 TRUST FUND INVESTMENT PROCEDURE

16 SEC. 406. (a) Section 201 of the Social Security Act is
17 amended by striking out subsections (d), (e), and (f) and in-
18 serting in lieu thereof the following new subsections:

19 “(d) There are hereby created on the books of the
20 Treasury of the United States an account to be known as the
21 Old-Age and Survivors Insurance Depositary Account and an
22 account to be known as the Disability Insurance Depositary
23 Account.

24 “(e) The Managing Trustee shall deposit that portion of
25 the Federal Old-Age and Survivors Insurance Trust Fund

1 not required to meet current withdrawals from such Trust
2 Fund in the Old-Age and Survivors Insurance Depository
3 Account and that portion of the Federal Disability Insurance
4 Trust Fund not required to meet current withdrawals from
5 such Trust Fund in the Disability Insurance Depository Ac-
6 count.

7 “(f)(1) The Secretary of the Treasury may apply moneys
8 deposited in an account pursuant to subsection (e) in any way
9 in which he is authorized by law to apply moneys in the
10 general fund of the Treasury.

11 “(2)(A) Moneys deposited in an account pursuant to sub-
12 section (e) shall be treated as indebtedness of the United
13 States for purposes of section 1305(2) of title 31, United
14 States Code, and shall earn interest, payable monthly, in an
15 amount equal to the product obtained by multiplying the
16 average balance of moneys in the account for such month by
17 the average market yield (computed by the Managing
18 Trustee on the basis of market quotations as of the end of
19 each day of the previous month) on all marketable interest-
20 bearing obligations of the United States then forming a part
21 of the public debt which are not due or callable until after the
22 expiration of four years from the end of such previous month,
23 except that ‘flower bonds’ shall not be included in such com-
24 putation.

1 “(B) For purposes of this paragraph, the term ‘flower
2 bond’ means a United States Treasury bond which was
3 issued before March 4, 1971 and which may, at the option of
4 the duly constituted representatives of the estate of a de-
5 ceased individual, be redeemed at par (face) value, plus ac-
6 crued interest to the date of payment, if—

7 “(i) it was owned by such deceased individual at
8 the time of his death,

9 “(ii) it is part of the estate of such deceased indi-
10 vidual, and

11 “(iii) such representatives authorize the Secretary
12 of the Treasury to apply the entire proceeds of the re-
13 demption of such bond to the payment of Federal
14 estate taxes.

15 “(3) The Managing Trustee may withdraw moneys de-
16 posited in an account pursuant to subsection (e) whenever he
17 determines that such moneys are necessary to meet current
18 withdrawals from the Trust Fund which deposited such
19 moneys, and the Secretary of the Treasury may sell obliga-
20 tions of the United States in the market in an amount not to
21 exceed the amount of such withdrawal if he determines that
22 such withdrawal necessitates an increase in the general fund
23 of the Treasury by an amount not exceeding such amount.”.

1 (b) Section 1817 of such Act is amended by striking out
2 subsections (c), (d), and (e) and inserting in lieu thereof the
3 following new subsections:

4 “(c) There is hereby created on the books of the Treas-
5 ury of the United States an account to be known as the Hos-
6 pital Insurance Depositary Account.

7 “(d) The Managing Trustee shall deposit that portion of
8 the Federal Hospital Insurance Trust Fund not required to
9 meet current withdrawals from such Trust Fund in the Hos-
10 pital Insurance Depositary Account.

11 “(e)(1) The Secretary of the Treasury may apply
12 moneys deposited in the account pursuant to subsection (d) in
13 any way in which he is authorized by law to apply moneys in
14 the general fund of the Treasury.

15 “(2)(A) Moneys deposited in the account pursuant to
16 subsection (d) shall be treated as indebtedness of the United
17 States for purposes of section 1305(2) of title 31, United
18 States Code, and shall earn interest, payable monthly, in an
19 amount equal to the product obtained by multiplying the
20 average balance of moneys in the account for such month by
21 the average market yield (computed by the Managing Trust-
22 ee on the basis of market quotations as of the end of each day
23 of the previous month) on all marketable interest-bearing ob-
24 ligations of the United States then forming a part of the
25 public debt which are not due or callable until after the expi-

1 ration of four years from the end of such previous month,
2 except that 'flower bonds' shall not be included in such com-
3 putation.

4 “(B) For purposes of this paragraph, the term ‘flower
5 bond’ means a United States Treasury bond which was
6 issued before March 4, 1971, and which may, at the option of
7 the duly constituted representatives of the estate of a de-
8 ceased individual, be redeemed at par (face) value, plus ac-
9 crued interest to the date of payment, if—

10 “(i) it was owned by such deceased individual at
11 the time of his death,

12 “(ii) it is part of the estate of such deceased indi-
13 vidual, and

14 “(iii) such representatives authorize the Secretary
15 of the Treasury to apply the entire proceeds of the re-
16 demption of such bond to the payment of Federal
17 estate taxes.

18 “(3) The Managing Trustee may withdraw moneys de-
19 posited in the account pursuant to subsection (d) whenever he
20 determines that such moneys are necessary to meet current
21 withdrawals from the Trust Fund, and the Secretary of the
22 Treasury may sell obligations of the United States in the
23 market in an amount not to exceed the amount of such with-
24 drawal if he determines that such withdrawal necessitates an

1 increase in the general fund of the Treasury by an amount
2 not exceeding such amount.”.

3 (c) Section 1841 of such Act is amended by striking out
4 subsections (c), (d), and (e) and inserting in lieu thereof the
5 following new subsections:

6 “(c) There is hereby established on the books of the
7 Treasury an account to be known as the Supplementary
8 Medical Insurance Depositary Account.

9 “(d) The Managing Trustee shall deposit that portion of
10 the Federal Supplementary Medical Insurance Trust Fund
11 not required to meet current withdrawals from such Trust
12 Fund in the Supplementary Medical Insurance Depositary
13 Account.

14 “(e)(1) The Secretary of the Treasury may apply
15 moneys deposited in the account pursuant to subsection (d) in
16 any way in which he is authorized by law to apply moneys in
17 the general fund of the Treasury.

18 “(2)(A) Moneys deposited in the account pursuant to
19 subsection (d) shall be treated as indebtedness of the United
20 States for purposes of section 1305(2) of title 31, United
21 States Code, and shall earn interest, payable monthly, in an
22 amount equal to the product obtained by multiplying the
23 average balance of moneys in the account for such month by
24 the average market yield (computed by the Managing Trust-
25 ee on the basis of market quotations as of the end of each day

1 of the previous month) on all marketable interest-bearing ob-
2 ligations of the United States then forming a part of the
3 public debt which are not due or callable until after the expi-
4 ration of four years from the end of such previous month,
5 except that 'flower bonds' shall not be included in such com-
6 putation.

7 “(B) For purposes of this paragraph, the term 'flower
8 bond' means a United States Treasury bond which was
9 issued before March 4, 1971, and which may, at the option of
10 the duly constituted representatives of the estate of a de-
11 ceased individual, be redeemed at par (face) value, plus ac-
12 crued interest to the date of payment, if—

13 “(i) it was owned by such deceased individual at
14 the time of his death,

15 “(ii) it is part of the estate of such deceased indi-
16 vidual, and

17 “(iii) such representatives authorize the Secretary
18 of the Treasury to apply the entire proceeds of the re-
19 demption of such bond to the payment of Federal
20 estate taxes.

21 “(3) The Managing Trustee may withdraw moneys de-
22 posited in the account pursuant to subsection (d) whenever he
23 determines that such moneys are necessary to meet current
24 withdrawals from the Trust Fund, and the Secretary of the
25 Treasury may sell obligations of the United States in the

1 market in an amount not to exceed the amount of such with-
2 drawal if he determines that such withdrawal necessitates an
3 increase in the general fund of the Treasury by an amount
4 not exceeding such amount.”.

5 (d)(1) Not later than thirty days after the date of enact-
6 ment of this Act, the Secretary of the Treasury shall redeem
7 at par all outstanding obligations of the United States issued
8 under the Second Liberty Bond Act exclusively for purchase
9 by the Federal Old-Age Insurance Trust Fund, the Federal
10 Disability Insurance Trust Fund, the Federal Hospital Insur-
11 ance Trust Fund, and the Federal Supplementary Medical
12 Insurance Trust Fund (hereinafter in this subsection referred
13 to as the “Trust Funds”).

14 (2)(A) The Managing Trustee may sell any marketable
15 obligation of the United States held by the Trust Funds at
16 market price at any time and shall sell (or redeem) all
17 “flower bonds” held by the Trust Funds at market price
18 within thirty days of the date of enactment of this Act.

19 (B) For purposes of this paragraph, the term “flower
20 bond” means a United States Treasury bond which was
21 issued before March 4, 1971, and which may, at the option of
22 the duly constituted representatives of the estate of a de-
23 ceased individual, be redeemed at par (face) value, plus ac-
24 crued interest to the date of payment, if—

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1 who shall be nominated by the President for a term of four
2 years and subject to confirmation by the Senate.”.

3 (b) The amendments made by subsection (a) shall
4 become effective on the date of enactment of this Act.

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